

December 8, 2016

**Statement by Yoshimitsu Kobayashi, Chairman of Keizai Doyukai
On Fiscal 2017 Tax Reform Outline**

1. The fiscal 2017 tax reform outline reportedly incorporates various well-balanced items that will realize a virtuous economic cycle highlighted by the Abe administration. Meanwhile, there remain items of further reform required to achieve the policy objectives. Thus, we request the government to pursue the tax reform over the years to come with an eye on the drastically changing global economic society
2. In order to review the spousal tax break system as a part of the working style reform, the tax reform outline proposes to raise a dependent spouse's annual income threshold for promoting their work, and at the same time, from a revenue neutral perspective, to introduce a phased reduction to the high-income householder's annual income deduction. We believe it is rational as a short-term measure.
When we seek a basic and far-reaching income tax reform, various income deductions in place should be reviewed. The abolishment of the spousal tax break will be one of them.
3. In the area of small- and medium-sized enterprise (SME) tax system, the establishment of the investment promotion tax system for the region's future and the inclusion of service provider's facilities to the capital expenditure promotion tax reduction are both appreciated in the perspective of regional revitalization and productivity enhancement. Further, SMEs that earn over 1.5 billion yen average income during the preceding three years are excluded from what SME tax reduction applies to. This is also an appropriate proposal but we have to see a necessary discussion on how to handle this issue under the system of the size-based corporate tax and regional tax.
4. In the area of corporate tax reform, the introduction of the spinoff-related corporate reorganization tax system and the review on the earnings-linked

pay of corporate executives are both considered effective to promote the business management reform.

Foreign nations' initiatives for corporate tax systems are always advancing such as U.S. President-elect Donald Trump's pledge of the corporate tax reduction to 15%. Our government should continue its review on Japan's effective corporate tax rate that is to be in line with the international standard.

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